



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

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Proposed State Law Targets Criminal Tax Evasion **Underground Economy Robs Billions from California**

Sacramento – A partnership made up of the California State Board of Equalization (BOE), Franchise Tax Board (FTB), and Department of Justice (DOJ) is one step closer to strategically targeting criminal sales and income tax evasion in the state's underground economy. Legislation unanimously supported by the BOE (Assembly Bill 576, V. Manuel Pérez) is heading to a full Assembly floor vote after passing out of the Assembly Appropriations Committee today.

“This legislation creates a team that will root out criminals who thrive in the underground economy, and avoid paying their fair share of taxes,” said BOE Chairman Jerome E. Horton. “These tax dodgers put legitimate business owners at a disadvantage and rip off all Californians. It's time to arrest the underground economy.”

California's underground economy deprives the state of an estimated \$8.5 billion in state sales, use, and income taxes annually through a spectrum of illegal activities such as selling counterfeit goods like “knock off” designer items, exploiting victims of human trafficking, and smuggling goods into California without paying the required taxes. A report issued by the UCLA Labor Center this year pegs this loss at 11 percent of the total tax revenues owed to the state.

AB 576 will create the Revenue Recovery and Collaborative Enforcement (RRACE) Team to formalize data sharing and communication among the BOE, FTB, and DOJ. The legislation enables these agencies to strategically collaborate on prosecuting criminals who underpay or do not pay state sales, use, and income taxes, at no added cost to state taxpayers. The team's efforts will benefit Californians by recovering tax dollars that fund vital state services such as public schools, highways, public safety, and health care programs.

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Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization's Legislative Committee Chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

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The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$53.7 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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